



State of Washington  
Agency Activity Inventory System  
Agency Activity by Agency  
Approp Period 2001-03  
Activity Version: 2001-03 Recast Actuals

**Agency:** 195 - Liquor Control Board

**Statewide Result:** Improve the economic vitality of businesses and individuals

**State Liquor Store Operations**

The purpose of state liquor stores is controlled distribution to qualified customers and the provision of products sought by customers. Store personnel are trained to identify underage customers, as well as customers who may be intoxicated. Unqualified customers are denied sale. Store managers place weekly orders to replenish store inventory. Frequent ordering allows faster reaction to customer demands. Store managers also schedule part-time help to meet fluctuating volumes of customers.

**Total \$** \$87,131,943

**GFS \$** \$0

**Other \$** \$87,131,943

**FTEs** 633.4

**Agency Priority:**

**Expected Results**

Generates annual gross sales of \$425 million, including tax revenues of \$110 million and net profits of \$42 million. Manage inventory valued at cost of \$22 million. Over 30 million bottles of liquor and wine are sold annually through our store network.

**Statewide Result:** Improve the economic vitality of businesses and individuals

**Contract Liquor Store Operations**

The purpose of this activity is to pay commissions and minor operating expenses for contract liquor store retail outlets located in communities whose population is not large enough to support the operational expenses of a state-operated store. The Liquor Control Board, from recommendations by the Retail Division, appoints local business owners to sell products under contractual and code regulations.

**Total \$** \$17,774,004

**GFS \$** \$0

**Other \$** \$17,774,004

**FTEs** 0.0

**Agency Priority:**

**Expected Results**

Serve community needs by providing 155 convenient locations statewide. Generates annual gross sales of \$67 million, including tax revenues of \$18 million and net profits of \$6.5 million. Commissions are paid on sales, thus will vary as sales increase or decrease.

**Statewide Result:** Improve the economic vitality of businesses and individuals

**Administrative Activity**

The Liquor Control Board (LCB) establishes policies for the sale of alcoholic beverages and tobacco products throughout the state. Activities funded in this category include costs for the overall management of agency employees, and oversight of administrative and policy duties.

**Total \$** \$12,721,031

**GFS \$** \$0

**Other \$** \$12,721,031

**FTEs** 78.9

**Agency Priority:**

**Expected Results**



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**Liquor Warehouse Operations and Distribution**

The Board operates a warehouse for the storing and shipment of liquor. The warehouse located in Seattle, receives products from suppliers, and ships products to state liquor stores and contract liquor stores throughout the state.

**Total \$** \$10,443,189

**GFS \$** \$0

**Other \$** \$10,443,189

**FTEs** 94.6

**Agency Priority:**

**Expected Results**

Receive, process and ship over 3,748,028 cases annually to the network of state-owned and contract liquor stores. Daily shipments average 16,000 cases, with peak daily shipments reaching 30,000+ cases during the months of November and December. Maintain daily inventory levels of between 330,000 to 450,000 cases. Process 22,144 cases of special orders in 2001 at a cost of \$2,542,231. This is done as a service to our customers without additional cost. The material handling system (MHS) produces a higher degree of inventory tracking shipping accuracy and fill rates. Product availability results in higher customer satisfaction and the possible higher sales rate. MHS is ergonomically set up for employees that will reduce on-the-job injuries and time-loss due to these injuries.



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**Statewide Result:** Improve the safety of people and property

**Enforcement of Liquor Control Laws**

The Enforcement and Education Division is charged with investigating and prosecuting all violations and penal laws relating to transportation, possession, distribution, and the sale of liquor. The primary responsibility of the division is to ensure public safety by preventing over-service, and reduce underage drinking at liquor license locations and unlicensed events such as keggers, college parties, and community events where alcohol is available. In addition, liquor and tobacco agents perform liquor premise inspections, investigate complaints against liquor licensees, conduct random compliance checks, and educate the citizens of the state on the adverse effects of alcohol.

**Total \$** \$9,645,099

**GFS \$** \$0

**Other \$** \$9,645,099

**FTEs** 67.3

**Agency Priority:**

**Expected Results**

The Enforcement Division will provide saturation patrols for 10 community events. Community alcohol related problems have increased. The division will target: Mardi Gras, College Senior Golf drinking tournaments, concerts, and other large events. Liquor and Tobacco agents will be mobilized from adjoining areas to control the situation before it gets out of control. Liquor and Tobacco agents will conduct over 50,000 liquor premise inspections for Fiscal Year 2003. Premise inspections are preventive enforcement methods that provide licensees with compliance enabling techniques that increase compliance with state liquor laws. Liquor and Tobacco agents will conduct 80 serious injury/fatality/collision follow-up investigations at the request of state and local law enforcement agencies. The follow-up investigations aid in establishing the source of alcohol (on-premise liquor license location, overservice, minors). LCB specialized emphasis in these investigations help reduce state's liability from road and highway tort claims by placing responsibility and cause with an alcohol related violation to the appropriate parties. Of the state's 631 traffic deaths in the year 2000, 248 were drinking driver involved. Liquor and Tobacco agents will conduct over 1,600 random liquor compliance checks in Fiscal Year 2003 to ensure that liquor licensees are not providing alcohol products to minors. Compliance checks help determine which licensees are in violation of state liquor and tobacco laws and have proved to be the most effective methods to increasing compliance by licensees on issues related to youth access to alcohol products. Liquor and Tobacco agents will provide training to approximately 15,000 licensees/employees on responsible liquor sales methods and the consequences of selling alcohol products to minors. In Fiscal Year 2003, Liquor and Tobacco agents will participate in over 30 party patrol or keg buster events. Party patrol and keg busters are partnerships with local law enforcement agencies targeted at preventing and intervening in underage drinking parties.

**Statewide Result:** Improve the economic vitality of businesses and individuals

**Financing of the Seattle Warehouse and Materials Handling System**

The Seattle warehouse is financed from Certificates of Participation instruments. The proceeds of the certificates are used to demolish the former warehouse, construct a new warehouse building, and acquire a substantially-improved materials handling system. The payment period is from 1997-2008, with several opportunities to make early payments.

**Total \$** \$7,560,200

**GFS \$** \$0

**Other \$** \$7,560,200

**FTEs** 0.0

**Agency Priority:**

**Expected Results**

Principal and interest payments of \$5,453,150.



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**Liquor Licensing and Permits**

The Program Administration, License Investigation, License Processing, and Customer Service Units provide review, investigation, and reporting on all license applications, permit applications, and requests from current license holders to modify business structure or operation; approve all liquor license and permit applications and renewals, except those of a controversial nature, involving extensive investigation, or requiring a board decision; provide a process for accountability for all liquor license and permit fees; maintain official licensing records and make documents available for court, administrative action, and public records requests; provide a point of contact and general licensing information for license applicants and the general public; maintain a reception desk to receive customers; and provide assistance for other divisions of the board.

**Expected Results**

**Total \$** \$3,415,526

**GFS \$** \$0

**Other \$** \$3,415,526

**FTEs** 30.0

**Agency Priority:**

**Statewide Result:** Improve the health of Washington citizens

**Tobacco Tax Enforcement**

Liquor and tobacco agents enforce state tax laws for cigarettes and other tobacco products, and applicable federal statutes and regulations to promote voluntary compliance and increase excise tax collections. Revenue is lost to the state each year due to tax evasion on cigarette and tobacco products. Liquor and tobacco agents are critical in preventing tax evasion tactics

**Total \$** \$3,038,449

**GFS \$** \$2,894,164

**Other \$** \$144,285

**FTEs** 18.3

**Agency Priority:**

**Expected Results**

Liquor and Tobacco agents seek greater overall compliance with the provisions of Chapters 82.24 and 82.26 RCW that result in an increase of tax collections due the state. Liquor and Tobacco Agents will conduct interdictions of inbound shipments of contraband cigarettes resulting in the loss of property, money, and potential for incarceration. Liquor and Tobacco agents will conduct inspections on 277 tobacco wholesalers and branches. Liquor and Tobacco agents will ensure overall compliance with applicable statutes and maintain accuracy of licensee databases. Non-compliant locations will receive follow up inspections. Liquor and Tobacco agents will conduct investigations on businesses not currently licensed to sell cigarettes. These establishments will be brought into compliance as a result of investigations, resulting in revenue to the state. This is an ongoing effort, as new businesses appear daily with little or no instruction on appropriate practices for cigarette retailers. Through routine inspections Liquor and Tobacco agents will reduce the quantity of improperly labeled or unlabeled cigarettes not bearing the U.S. Surgeon General's warning. Liquor and Tobacco agents will identify non-participating manufacturers who are not contributing to the MSA trust fund, thus providing Department of Revenue with additional data upon which to base revenue collections. Through multi-jurisdictional task forces, the amount of funding derived from cigarette trafficking available to organized criminal operations will be reduced. The LCB is an active partner in such investigations. As a result, the LCB participates in federal asset forfeiture sharing programs associated with such investigations. The Enforcement and Education Division has been involved in three sharing ventures since 1997 resulting in \$104,761 in dedicated revenues to the agency.



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**Retail Liquor Sales Administration**

Under the direction of the Retail Division director, the Store Development and Maintenance Section, and the Property Specialist, activities include strategic planning, store remodels and maintenance, store site selection, and negotiation of leases for the Retail Operation. The Retail Division director and staff members, in conjunction with district managers, supervise state liquor stores and contract liquor stores. Store Development strategically locates stores in revenue producing areas. Leases are contracted for five to ten years, and expired leases require negotiation to renew or obtain new sites.

**Total \$** \$2,156,140

**GFS \$** \$0

**Other \$** \$2,156,140

**FTEs** 9.4

**Agency Priority:**

**Expected Results**

Gross sales increased \$24.8 million in the one year period June 30, 2000 to June 30, 2001. During this same period Direct Expense of SLS, as a percentage of Gross Sales decreased from 8.8 percent to 8.7 percent, effectively improving profitability by \$421,000. From 1996 to 2001, bottle counts, as measured by liters sold, increased by 15.6 percent with no increase in FTE budget. In the first fiscal year of this biennium, 10 new CLS managers have been appointed. This biennium about 10 stores will be relocated.

**Statewide Result:** Improve the economic vitality of businesses and individuals

**Liquor Purchasing and Merchandising**

The Purchasing Division's function is to provide the citizens of the state of Washington a wide selection of alcoholic beverages at reasonable prices. The division recommends product listings to the board and manages inventory in the Distribution Center. The Special Order Program allows customers to obtain products that are not in general listings.

**Total \$** \$1,328,336

**GFS \$** \$0

**Other \$** \$1,328,336

**FTEs** 12.7

**Agency Priority:**

**Expected Results**

Maintain a selection of over 1,900 beverage alcohol items for all liquor stores, contract stores, and licensees. Review and manage inventory forecasts and sales data to ensure a 95 percent in stock level. Evaluate proposed new products to ensure consumer trends are captured and customer expectations are met. Maintain trend of increasing sales and revenues to the state. Since 1996, gross sales of all products have increased 35 percent from \$376.4 million to \$508.9 million per year. Gross sales of distilled spirits have increased 33 percent from \$355,133,509 to \$471,048,196; in that same period, wines sales have increased 79 percent from \$20.5 million to \$36.7 million. As provided by statute, continue to offer licensees of the board discounts on their purchases of distilled spirits. These discounts totaled \$22.7 million in Fiscal Year 2001. Continue to expand the number of products and suppliers participating in our bailment inventory management system which allows us to lower our cost of goods sold and delay payment on products until they are withdrawn from bailment inventory and shipped to our retail outlets. Approximately 87 percent of our case inventory is under the bailment system. Ensure that customer's needs are met through the special order program which offers an additional 2,000 unlisted items to our customers. Special orders now total over 10,000 per year, increasing 300 percent since 1993. Increase return on purchasing investment by purchasing discounted stock during sale periods and selling at full margin, adding approximately \$2.5 million in additional revenues annually. Assign product displays according to highest profit margin to encourage consumer trade-up and to increase revenue. Process industrial alcohol orders for special permit holders such as hospitals, medical laboratories, and universities.



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**Regulation of Manufacturers, Importers and Wholesalers**

The Manufacturers, Importers and Wholesalers (MIW) Section is responsible for ensuring the proper administration of all state liquor laws and administrative rules applicable to beer, wine, and spirit manufacturers, importers, distributors, and interstate common carriers (ICCs). MIW works closely with the agency's Administrative Services Program to ensure proper and timely payment of beer and wine taxes. The section provides education, training, and other technical assistance to manufacturers, importers, distributors, and ICCs; investigates complaints and violations involving non-retail licensees; maintains and monitors a price-posting program for the manufacturing and distributor levels of the non-retail liquor industry; provides a product and label approval program for all beer and wine products planned for sale in Washington; provides liquor advertising approvals and denials, education, and assistance for license holders and marketing representatives; and maintains a Criminal History Record Information (CHRI) Office for conducting checks of license applicants and to assist liquor and tobacco criminal investigations.

**Expected Results**

**Total \$** \$1,177,571

**GFS \$** \$0

**Other \$** \$1,177,571

**FTEs** 10.2

**Agency Priority:**

**Statewide Result:** Improve the safety of people and property

**Alcohol Server Training**

State law mandates training for servers in establishments that sell liquor for on-site consumption. This activity is commonly referred to as Mandatory Alcohol Server Training. (Liquor Revolving Account)

**Expected Results**

**Total \$** \$108,016

**GFS \$** \$0

**Other \$** \$108,016

**FTEs** 1.0

**Agency Priority:**

**Statewide Result:** Improve the economic vitality of businesses and individuals

**Financial Services**

This activity involves financial services that support the internal operations of the Liquor Control Board or benefit other state agencies and local governments. Services include accounting; budgeting; forecasting of revenues; and the collection, distribution, and reporting of liquor taxes, liquor profits, license fees, lottery ticket sales, and revenues from tobacco seizures. Additionally, the Audit and Loss Prevention Services Section performs internal audits of the board, state-owned and contractor-owned liquor stores, and warehouse operations, and tax audits of liquor manufacturers, importers, and wholesalers.

**Expected Results**

**Total \$** \$0

**GFS \$** \$0

**Other \$** \$0

**FTEs** 0.0

**Agency Priority:**





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**Statewide Result:** Improve the health of Washington citizens

**Youth Access to Tobacco**

The Enforcement and Education division oversees state compliance of the federal law mandating states to restrict the sale of tobacco products to persons under age 18. The Division is responsible for conducting tobacco premise inspections, investigating complaints against tobacco licensees, and conducting random compliance checks on tobacco licensees. This activity is funded through an interagency agreement with the Department of Health.

**Total \$** \_\_\_\_\_ \$0

**GFS \$** \_\_\_\_\_ \$0

**Other \$** \_\_\_\_\_ \$0

**FTEs** \_\_\_\_\_ 4.0

**Agency Priority:**

**Expected Results**

Liquor and Tobacco agents will conduct over 28,000 tobacco premise inspections in Fiscal Year 2003. Premise inspections are preventive enforcement methods that provide licensees with compliance enabling techniques that increase compliance with state liquor and tobacco laws. Liquor and Tobacco agents will conduct over 1,500 random tobacco compliance checks in Fiscal Year 2003. Compliance checks help determine which licensees are in violation of state liquor and tobacco laws, and have proven to be the most effective method to increase compliance by licensees on issues related to youth access to alcohol and tobacco products. In Fiscal Year 2003, Liquor and Tobacco agents will provide training to approximately 5,500 tobacco licensees/employees. The specialized training is designed to educate store clerks on how to check identification and alert them of the consequences of selling tobacco to persons under age 18. The Liquor Control Board is responsible for regulating and enforcing tobacco sampling (RCW 70.155.050). From 1994 through 2000, the state averaged 122 sampling events annually. In 2001, the state experienced a five-fold increase in the number of tobacco sampling events. Tobacco is being sampled predominantly at large events where persons under 18 years of age are present. In Fiscal Year 2003, Liquor and Tobacco agents will conduct several unannounced random inspections at these sampling events to prevent tobacco access to persons under 18 years of age.

**Statewide Result:** Improve the economic vitality of businesses and individuals

**Technology Services**

This activity provides the computer services necessary to operate state and contract liquor stores and all other organizations of the Liquor Control Board. Technology Services supports mission-critical systems, including Point-of-Sale (POS), the Warehouse Management System (WMS), Merchandising, Regulatory, Financial, and Human Resource systems. Technology Services provides a customer hotline and on-site technical support; supports hardware and software, and voice and data networks; conducts strategic business/technology planning and implementation; develops and implements information technology policies, guidelines, and practices; and provides technology and acquisitions consulting. The unit trains end-users in the technology needed to accomplish their jobs.

**Total \$** \_\_\_\_\_ \$0

**GFS \$** \_\_\_\_\_ \$0

**Other \$** \_\_\_\_\_ \$0

**FTEs** \_\_\_\_\_ 0.0

**Agency Priority:**

**Expected Results**

The division, in cooperation with a vendor, plans to install the \$4.8 million Merchandising Business system, including Point-of-Sale systems in 157 state liquor stores. It will provide tremendously upgraded management tools for finance, accounting, and audit. Purchasing, as the initiator of our retail supply chain, will obtain greater effectiveness for forecasting and for maximizing cost effectiveness in their activities. This system is projected to provide a reliable, stable platform to report biennial revenues of \$1 billion, along with the reporting capabilities necessary to safeguard assets and make operations more efficient. It is expected to allow the Retail Services function to provide additional services, such as gift certificates. Scanners will be installed at 157 state liquor stores to assist with the receiving of shipments from the distributor center.

**Sub-Total for Agency 195 - Liquor Control Board**

**Totals** **\$156,499,504**



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<b>GFS</b>	<b>\$2,894,164</b>
<b>Other</b>	<b>\$153,605,340</b>
<b>FTEs</b>	<b>960.0</b>